

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF THE MEMBERS OF THE)	
LOUISVILLE GAS AND ELECTRIC COMPANY DEMAND-)	
SIDE MANAGEMENT COLLABORATIVE FOR THE)	CASE NO. 97-083
REVIEW, MODIFICATION, AND CONTINUATION OF)	
THE COLLABORATIVE, DSM PROGRAMS, AND COST)	
RECOVERY MECHANISM)	

O R D E R

On November 12, 1993, in Case No. 93-150,¹ the Commission approved the "Principles of Agreement - Demand Side Management and Conservation" ("Principles") submitted in a joint application by the Louisville Gas and Electric Company ("LG&E") and several of its traditional intervenors.² The Principles contained the basic structure and procedures for an experimental collaborative process to implement, monitor, and administer demand side management ("DSM") programs for LG&E's electric and natural gas customers. The Principles also set forth the guidelines under which LG&E would be allowed to recover costs associated with DSM programs from its ratepayers, as well as a means to recover revenues less expenses from sales lost due to the

¹ Case No. 93-150, A Joint Application for the Approval of Demand-Side Management Programs, a DSM Cost Recovery Mechanism, and a Continuing Collaborative Process on DSM for Louisville Gas and Electric Company.

² The joint applicants in Case No. 93-150 were LG&E, the Attorney General's Office, Jefferson County, Metro Human Needs Alliance, People Organized and Working for Energy Reform, Anna Shed, Kentucky Industrial Utilities Customers, Louisville Resources Conservation Council, and the Louisville and Jefferson County Community Action Agency.

implementation of DSM programs. The Principles further provided for an in-depth analysis and review of the operation of the Principles by the Commission at the end of a three year experimental period.³

On December 1, 1995, LG&E and its Collaborative submitted an application proposing seven new DSM programs. While the Commission approved six of the seven programs, the Commission determined that the application had failed to comply with the statement in the November 12, 1993 Order⁴ and the provisions of the Collaborative's Principles⁵ concerning the cost/benefit testing of individual DSM programs.⁶ In addition, a number of serious questions had surfaced concerning the Collaborative's management in general and its administration of the Residential Conservation and Energy Education Program ("Energy Partners"), one of the original DSM programs. These issues heightened concerns the Commission had relating to the scope and depth of the three year review. In its June 24, 1996 Order, the Commission found that an independent DSM consultant, with expertise in fiscal and policy management and administration, would be needed to review the Collaborative's operation and processes as part of the three year review. The Commission would select and employ the consultant, with LG&E paying the cost and then recovering it through the DSM cost recovery mechanism.⁷

³ The experiment was approved prior to the enactment of KRS 278.285, which addresses DSM programs and the recovery of DSM costs from ratepayers.

⁴ Case No. 93-150, Order dated November 12, 1993, at 2.

⁵ Principles, Section VII - Collaborative Process, at 5.

⁶ Case No. 93-150, Order dated June 24, 1996, at 5.

⁷ Id. at 7.

LG&E and its Collaborative filed the present case on February 18, 1997. The applicants proposed changes to the DSM cost recovery mechanism, requested approval of one new DSM program, and sought approval of the DSM cost recovery which reflected revised and new program budgets. Additional proposals, revisions, and updates were submitted subsequent to the February 18, 1997 filing.⁸ In conjunction with this case, and announced in its June 24, 1996 Order, the Commission hired Corporate Economic Strategies ("CES") to perform a focused management audit and impact evaluation of the Collaborative and the DSM programs. The CES report was filed in the record on May 30, 1997 and a procedural schedule was adopted which provided for discovery and rebuttal testimony. A public hearing was held on December 2, 1997. LG&E and two Collaborative members, Metro Human Needs Alliance ("MHNA") and People Organized and Working for Energy Reform ("POWER"), filed a joint post-hearing brief on December 17, 1997. The Louisville Resource Conservation Council ("LRCC") filed a post-hearing brief on February 3, 1998.

LG&E AND COLLABORATIVE PROPOSALS

LG&E and its Collaborative submitted the following DSM proposals in the February 18, 1997 application and subsequent filings:

- (1) Replace the residential decoupling mechanism with a net lost revenues approach to recover revenues from sales lost due to the implementation of DSM programs.
- (2) Collect the residential class lost revenues resulting from each new program participant over a four-year period.

⁸ Additional proposals, revisions, and updates were submitted on October 15, 1997, November 17, 1997, and December 5, 1997.

- (3) Approve for recovery the proposed 1997 and 1998 budgets, as revised.
- (4) Assign commercial DSM program costs to the energy component of commercial rates only, rather than allocate the costs between the demand and energy components.
- (5) Establish a shareholder incentive of 5 percent of expenditures for "educational" energy conservation programs.
- (6) Extend the opt-out option to include LG&E's industrial customers served on the LP rate schedule.
- (7) Introduce a true-up mechanism for net lost revenues collected from commercial programs.
- (8) Incorporate the existing Residential Audit Program into the overall DSM program and cost recovery mechanism. Only those program costs in excess of the levels included in LG&E's last general rate case would be recovered through the DSM cost recovery mechanism. This program was established in 1988, prior to the formation of the Collaborative.
- (9) Reduce the shareholder incentive for the Direct Load Control Program from 15 to 5 percent of annual program costs.
- (10) Calculate the DSM Balance Adjustment component of the cost recovery mechanism on a calendar year basis.
- (11) Revise the definition of "net resource savings" used in the Shareholder Incentive component of the cost recovery mechanism.
- (12) Terminate the Residential Financing Program, which was approved by the Commission in the June 24, 1997 Order.

Based on the evidence of record and being sufficiently advised, the Commission finds that proposals (5) through (11) are generally reasonable, supported by all the evidence, and should be approved without further discussion. The remaining five proposals are in need of further discussion as set forth in detail below.

Replace the Residential Decoupling Mechanism. LG&E and its Collaborative have proposed to replace the residential decoupling mechanism with a net lost revenues approach. Currently, LG&E uses the net lost revenues approach to recover revenues lost from sales due to the implementation of DSM programs from its commercial customers and a per customer decoupling mechanism for its residential customers. The Collaborative indicated that it had decided to discontinue the decoupling mechanism and adopt a net lost revenue recovery mechanism modeled after the mechanism used by the Kentucky Power Company ("Kentucky Power").⁹ LG&E stated that the Collaborative had reviewed many different methods for determining the growth factors used in the decoupling calculations, without reaching a consensus. In addition, LG&E and the Collaborative had recognized that weather was the most predominant factor in the decoupling calculation.¹⁰ Because of these issues, LG&E had proposed the net lost revenues approach, which it believes removes the disincentive resulting from lost sales and removes the influence of weather. While supporting the proposal to replace the residential decoupling mechanism, LRCC charges that the gas growth factor in the decoupling mechanism is in error and that LG&E's gas customers have paid excessive DSM surcharges. LRCC contends that there appears to be strong evidence that the decoupling mechanism has not functioned as intended, and claims that an independent

⁹ Joint Application, filed February 18, 1997, Section 1, Executive Summary, at 5.

¹⁰ Response to the Commission's April 17, 1997 Order, Item 3(b).

technical analysis would confirm that the over-recovery is large and systematic for both gas and electric customers.¹¹

CES reviewed this proposal in its report and noted that the proposed change would shield LG&E even further than the current mechanism from factors that could positively influence sales levels and negatively influence recovery.¹² CES commented that the proposed use of engineering estimates in the lost revenue component could lead to over-collection of benefits in the near term by LG&E. This was because previous DSM evaluations have shown that engineering estimates of program savings are often higher than the actual realized savings. In addition, engineering estimates reflect the gross savings in energy, and do not account for the effects of free-riders, snap-back, or persistence, which can impact the realized savings.¹³ Finally, CES stated that the absence of detailed monitoring and evaluation plans made it unclear what techniques would be used to "true-up" the lost revenue component, and it would be difficult to know what data needed to be captured during implementation in order to satisfy reporting and evaluation requirements.¹⁴

Neither LG&E nor any member of the Collaborative has offered analysis or justification supporting the proposed change. Likewise, LRCC has submitted no

¹¹ LRCC Post-Hearing Brief at 4 and 5.

¹² CES Final Report on the Focused Management Audit and Impact Evaluation of Louisville Gas and Electric Company's DSM Programs ("CES Report"), filed May 30, 1997, at 21.

¹³ Id. at 22.

¹⁴ Id. at 23.

evidence to support the serious charges it raises in its post-hearing brief. The fact that Kentucky Power is utilizing a net lost revenues approach in and of itself does not justify LG&E's proposal to adopt the same mechanism. The Commission notes that CES' concerns about the absence of detailed monitoring and evaluation plans, as well as the data collection associated with such plans, were issues that the Kentucky Power DSM Collaborative addressed and resolved at the beginning of its program. As some members of the Kentucky Power DSM Collaborative are also members of the LG&E Collaborative, LG&E and the Collaborative should have been aware of the problems which needed to be addressed up front.

Having considered all the evidence of record, the Commission finds that it is not reasonable to adopt the proposed net lost revenues provision. LG&E should, therefore, continue to utilize the residential decoupling mechanism. However, the Commission is willing to revisit this issue in the future, in the event that LG&E and the Collaborative choose to revise the provision to satisfy the problems identified by CES and are able to demonstrate that there is in place the foundation necessary for using such a provision.

Collection of Residential Class Lost Revenues from New Program Participants.

This proposal was linked to the adoption of the net lost revenues provision for residential customers. Since the Commission has not adopted such a provision, this proposal relating to new program participants is denied.

Recovery of the Proposed 1997 and 1998 Budgets. LG&E and its Collaborative submitted budgets for its DSM programs for 1997 and 1998 in the February 18, 1997 joint application, but sought approval of only the 1997 budget through the DSM cost

recovery mechanism. The filings made subsequent to the joint application have contained revisions to both 1997 and 1998 budgets.

The annual DSM program budget is recovered as part of the cost recovery component in the overall DSM cost recovery mechanism, while the differences between budgeted and actual costs are adjusted through a balance adjustment component in the following year. However, due to the processing of this case, the overall DSM cost recovery rate charged by LG&E in 1997 was based on the 1996 DSM budgets. Thus there needs to be a true-up between the 1997 actual DSM program costs and the DSM revenues collected.

Several decisions described later in this Order will impact the DSM budget amounts and in turn the DSM tariff rates. Consequently, LG&E should resubmit its DSM tariff rates, incorporating a true-up for 1997 actual DSM program costs and a revised 1998 budget which reflects all of the findings set forth in this Order.

Commercial DSM Program Costs Assigned to Energy Component of Rates.

LG&E and its Collaborative proposed that all commercial DSM program costs be assigned to the energy component of the commercial customers' rates, rather than the current approach of allocating these costs between the demand and energy components. LG&E and the Collaborative contend that this change would simplify the cost assignment process and eliminate the need to identify whether each item included in the program cost was demand or energy related.

At present, the overall level of commercial DSM program costs are relatively small. The Commission is persuaded that this proposal is reasonable and should be

adopted. However, if the commercial DSM program costs become more significant in the future, this rate design issue will be subject to re-examination.

Termination of the Residential Financing Program. At the public hearing, LG&E announced that it had determined that the Residential Financing Program should be discontinued.¹⁵ In the December 5, 1997 filing, LG&E indicated that its management had received advice from outside counsel regarding the application of several federal and state financing statutes to the DSM Residential Financing Program and a new, non-DSM financing program being examined by LG&E. Based upon advice of counsel, LG&E determined that continuation of the DSM financing program would present significant legal compliance issues that could not be easily remedied, and thus the program was being terminated.¹⁶

In its post-hearing brief, LRCC strongly objected to the termination of this program and requested that another hearing be held in the event the Commission decides to eliminate this program. LRCC questions the validity of the reasons cited by LG&E in the December 5, 1997 filing which led to the termination of the DSM program. LRCC also contends that LG&E's action is in violation of the Collaborative's bylaws, and that ratepayers have been deprived of the benefits of a program for which they have already borne development costs.¹⁷

¹⁵ Transcript of Evidence ("T.E."), December 2, 1997, at 9.

¹⁶ LG&E December 5, 1997 Filing, second page.

¹⁷ LRCC Post-Hearing Brief at 4.

The Commission finds that LG&E's proposal is reasonable and should be adopted. LRCC offered no evidence to support its claim that the DSM financing program did not pose compliance problems with federal and state statutes and did not quantify the development costs that it argues were already paid for by ratepayers. To the extent that LG&E's actions may be in violation of the Collaborative's bylaws, this is a subject to be addressed internally by the Collaborative, not the Commission. LRCC had an ample opportunity to address this issue at the December 2, 1997 hearing and has failed to justify the request for another hearing.

CES RECOMMENDATIONS

The CES Report contained 21 recommendations relating to the operation and administration of the Collaborative and the three original DSM programs approved in 1993. As part of its engagement, CES prepared Management Audit Action Plans ("Action Plans") which are based on these recommendations and designed to enable LG&E to implement the recommendations more easily. After reviewing the Action Plans, LG&E responded to the recommendations as follows: 17 were approved without exception; 3 were approved with exception; and 1 was rejected.¹⁸ The Commission, through its Management Audit Branch, will monitor and review LG&E's progress on implementing the CES recommendations. However, due to the serious nature of the issues raised in three of the recommendations, the Commission finds that those recommendations should be addressed directly in this Order. The Commission's

¹⁸ T.E., December 2, 1997, at 66-67.

decisions will relieve LG&E from any further activity concerning the Action Plans for the three recommendations discussed below.

Energy Partners. CES determined that this program was not cost effective and that it was unlikely that it could be made cost effective.¹⁹ CES acknowledged that the program had achieved a high degree of customer satisfaction,²⁰ appeared to be meeting customer expectations,²¹ and was operating efficiently compared to similar programs.²² However, in addition to failing several cost/benefit tests,²³ CES determined that tracking of program implementation data was poor and a detailed breakdown of actual program costs had not been provided by the implementation contractor.²⁴ CES recommended that the program be terminated.

This was the one recommendation rejected by LG&E. In their joint post-hearing brief, LG&E, MHNA, and POWER argue that CES' evaluation was biased because it focused on the program's cost effectiveness rather than the non-quantifiable benefits such as safety and health improvements, reduced uncollectible accounts, and reduced arrearages. LG&E, MHNA, and POWER contend that the program was responsible for

¹⁹ CES Report at 76 and 77.

²⁰ Id. at 55.

²¹ Id. at 56.

²² Id. at 58.

²³ The Total Resource Cost test ("TRC"), the Ratepayer Impact Measure test ("RIM"), the Utility Cost test ("UC"), and the Participants test are the traditional DSM cost/benefit tests normally performed by utilities. The Energy Partners failed to pass the TRC, RIM, and UC.

²⁴ CES Report at 51.

important, non-quantifiable benefits and should be continued. They also stated that significant redesign of the program had been performed, which the Collaborative believed would improve cost effectiveness.²⁵

Energy Partners has had a history of problems relating to program data. The Collaborative hired Sherman Energy Associates ("Sherman") in 1995 and 1996 to perform reviews of the program. In both reviews, Sherman identified data collection and organization problems.²⁶ While Sherman had recommended that the Collaborative hire an outside contractor to develop the necessary database for the program, this effort was abandoned by the Collaborative after eight months.²⁷

In conjunction with the three year Commission review, the Collaborative hired the Proctor Engineering Group ("Proctor") to perform an impact evaluation of Energy Partners. In its 1997 report, Proctor stated that it had to create a program tracking system as part of its evaluation,²⁸ acknowledged that limited data was available for assessing the impact of Energy Partners on payment behavior and service disconnections,²⁹ noted that LG&E had been unable to provide estimates of the marginal

²⁵ LG&E-MHNA-POWER Joint Post-Hearing Brief at 4-8.

²⁶ Joint Application, filed February 18, 1997, Section 16, "Early Process Review Update of the Energy Partners Program," by Sherman Energy Associates, at 11-12, 25-26, and 28.

²⁷ Response to the Commission's April 17, 1997 Order, Item 19(a).

²⁸ Joint Application, filed February 18, 1997, Section 16, "Impact Evaluation of Louisville Gas & Electric Company's Energy Partners Program," by Proctor Engineering Group, dated February 4, 1997, at 1.

²⁹ Id. at 36.

cost savings for specific collections activities avoided,³⁰ and concluded from an LG&E avoided cost perspective that Energy Partners was not cost effective unless non-energy benefits were valued at \$665 per participant.³¹

The Commission agrees with CES and finds that the Energy Partners Program, in its present form, should be terminated. This finding is based on the lack of cost effectiveness as well as the data collection and organization problems. The Commission notes that while Proctor and CES performed their evaluations independently, they reached very similar conclusions about Energy Partners. Even though the Collaborative had been advised by its own consultants that there were problems that needed to be addressed, the record shows the Collaborative has been slow to respond adequately. There is little incentive for LG&E and its Collaborative to address adequately the Energy Partners' problems if the program remains an on-going DSM program. If LG&E and its Collaborative choose to resubmit Energy Partners as a DSM program in the future, the various problems noted in the Sherman, Proctor, and CES reports must be addressed adequately and resolved. LG&E should delete the 1998 estimated budget costs for this program when it resubmits its DSM tariff rates.

Energy Efficiency Rate Program. CES determined that this program appeared to be meeting customer expectations,³² was operating at an extremely low cost,³³ and was

³⁰ Id. at 45.

³¹ Id. at 49.

³² CES Report at 80.

³³ Id. at 81.

reaching its target market.³⁴ In addition, the program participants were highly satisfied with the program.³⁵ However, CES' impact evaluation indicated that there were no energy savings for the program participants. In fact, the participants' electricity usage increased on average by 5 percent.³⁶ CES concluded that on average the customers' bills were decreasing under the program, sending an incorrect pricing signal and causing customers to increase, rather than decrease, their usage.³⁷ CES also determined that this program was not cost-effective,³⁸ and recommended that the program be terminated.

In their joint post-hearing brief, LG&E, MHNA, and POWER stated that on average program participants had experienced savings in the dollar amount of their bills and a usage reduction of approximately 3 percent.³⁹ LG&E, MHNA, and POWER contend that in a period when assistance to low income customers for paying energy bills is reducing, the dollar savings experienced by program participants can help avoid disconnection of utility service.⁴⁰ While these Collaborative members contend that the Energy Efficiency Rate Program did not increase participants' usage, they also noted that the Collaborative

³⁴ Id. at 82.

³⁵ Id. at 80.

³⁶ Id. at 86.

³⁷ Id. at 87.

³⁸ Id. at 88.

³⁹ LG&E-MHNA-POWER Joint Post-Hearing Brief at 8.

⁴⁰ Id.

has agreed to restructure the program to send a strong pricing signal to participants to promote greater usage reductions.⁴¹

The Commission agrees with CES and finds that the Energy Efficiency Rate Program, in its present form, should be terminated. As with the Energy Partners Program, this finding is not based solely on the lack of cost effectiveness. The Commission has reviewed the impact evaluations performed by the Collaborative and by CES. The thoroughness of the CES evaluation, and the lack of a serious challenge by the Collaborative to the CES results, leads the Commission to find that CES' evaluation is more reliable and its determination that program participants' usage increased is accurate.

The focus of this program was to encourage participants to change their usage patterns and consume less energy. The lowering of the dollar amount of the customers' energy bills was not, and should not be, a focus in any evaluation of the program's effectiveness. The Commission understands that the Collaborative would prefer to continue this program while revisions and modifications are developed and implemented. However, as with the Energy Partners Program, there is little incentive for LG&E and its Collaborative to adequately address the Energy Efficiency Rate Program's problems if it remains an on-going DSM program. If LG&E and its Collaborative choose to resubmit the Energy Efficiency Rate Program as a DSM program in the future, the problems and concerns identified in the CES report must be addressed adequately and resolved. As

⁴¹ Id. at 9.

with the Energy Partners Program, LG&E should delete the 1998 estimated budget costs for this program when it resubmits its DSM tariff rates.

Disclosure of DSM Cost Recovery Component ("DSMRC"). CES reported that the DSMRC was not identified separately on LG&E customer bills, but was collected through the fuel recovery charges on electricity and natural gas bills.⁴² While stating that LG&E had indicated that the cost to identify separately the DSMRC was prohibitively expensive, CES noted that Kentucky Power provided a separate line item of DSM expenses on its bills.⁴³ LG&E indicated during this proceeding that in negotiating the formation of the Collaborative and the initial DSM application, the participants agreed that the DSMRC would not be shown as a separate line item on the customers' bill.⁴⁴ The current billing form used by LG&E contains no references to the DSMRC.⁴⁵

The Commission finds that the DSMRC is an individually tariffed rate, and it should be identified separately on customers' bills. DSM program costs are not directly related to fuel and, thus, are not appropriate for inclusion in LG&E's fuel recovery charges. By approving a specific tariff for LG&E's recovery of these costs, the Commission assumed that the rate would be disclosed on customers' bills. Since the vast majority of LG&E's customers have no choice but to pay for DSM program costs, those costs should be disclosed on customers' bills.

⁴² CES Report at 21.

⁴³ Id.

⁴⁴ Response to the Commission's April 17, 1997 Order, Item 16.

⁴⁵ Response to the Commission's August 26, 1997 Order, Item 7.

Therefore, LG&E should disclose the DSMRC as a separate line item on customers' bills beginning with the second billing cycle after the date of this Order.

OTHER ISSUES

Cost of CES Management Audit. As discussed previously, the cost of the focused management audit and impact evaluation was paid by LG&E, with the right to recover this cost through the DSM cost recovery mechanism. While LG&E has submitted several budget revisions during this proceeding, the CES audit cost does not appear to have been included. Therefore, LG&E should include the cost of the CES audit when it submits its revised DSM tariff rates, identifying separately the cost on any schedules included which support the tariffs.

DSM Cost/Benefit Testing. The Collaborative's Principles state that the results of two traditional DSM tests, the TRC and RIM tests, will be considered when selecting DSM programs. In this proceeding, LG&E and its Collaborative stated that they view the Participant Test as the most relevant of all the traditional DSM cost/benefit tests, with the TRC the next most relevant.⁴⁶ LG&E has provided the results from the Participant, TRC, RIM, and UC tests during the periodic reviews of the DSM program.

The Commission has never established any one of the traditional DSM cost/benefit tests as the primary determinant of whether a proposed DSM program should be approved. Having all four test results available has in fact provided a broad view of the potential impacts of a proposed program. However, as discussed above, the

⁴⁶ Response to the Commission's April 17, 1997 Order, Item 12(a).

Commission has repeatedly told LG&E and its Collaborative that new DSM programs had to be cost effective.

To resolve any confusion over DSM cost/benefit testing, the Commission will require LG&E and its Collaborative to support any new DSM program or a revision to an existing program by the results of the four traditional DSM cost/benefit tests. If the filing fails any of the traditional tests, LG&E and its Collaborative may submit additional documentation to justify the need for the program.

Program Goals and Objectives. CES noted that although the Collaborative has been in existence for three years, it has never unambiguously established its goals and objectives or the goals of its DSM program offerings.⁴⁷ The establishment of such goals and objectives for individual DSM programs is essential if a net lost revenues approach is to be adopted as the residential DSM lost-revenues recovery mechanism.

The Commission finds that LG&E and its Collaborative should support any new DSM program, or any revision to an existing program, by filing a statement of the goals and objectives of the proposed program. These goals and objectives should include the level of energy savings anticipated for the program, either on a per participant or total program basis. The determination of the anticipated energy savings must be accompanied by adequate supporting documentation.

LRCC Issues. In its post-hearing brief, LRCC raised several issues related to both the program changes proposed in this proceeding and the functioning of the Collaborative. The above discussion and findings on specific issues address the

⁴⁷ CES Report at 23.

positions taken by LRCC on the proposed program changes. With respect to the functioning of the Collaborative, the Commission finds that the Principles approved in Case No. 93-150 and the bylaws adopted by the Collaborative govern its operations. The Commission has no authority to intervene in or referee matters relating to the internal processes and operations of the Collaborative or to resolve internal Collaborative disputes.

The Commission, based on the evidence of record and the findings set forth herein, HEREBY ORDERS that:

1. The proposal to replace the residential decoupling mechanism with a net lost revenues approach is denied.
2. The proposal to modify the collection of residential class lost revenues from new program participants is denied.
3. The remaining changes to the DSM program proposed by LG&E, as discussed in this Order, are approved.
4. The Energy Partners Program and the Energy Efficiency Rate Program are terminated.
5. The DSM cost recovery component, DSMRC, shall be disclosed on customers' bills as a distinct and separate line item, beginning with the second billing cycle after the date of this Order.
6. The costs of the focused management audit and impact evaluation shall be included in the revised DSM budgets submitted with LG&E's revised DSM tariffs.

7. Any new DSM program or change to an existing DSM program shall be supported by:

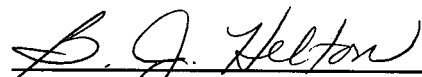
a. The results of the four traditional DSM cost/benefit tests. Any proposed program failing a test shall be accompanied by written documentation justifying the need for the program.


b. A statement of the goals and objectives of the proposed program and the anticipated level of energy savings on a per participant or total program basis, accompanied by supporting documentation.

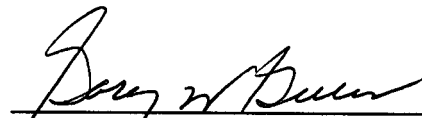
8. Within 20 days from the date of this Order, LG&E shall file with the Commission its revised DSM cost recovery tariffs reflecting the decisions rendered herein.

Done at Frankfort, Kentucky, this 27th day of April, 1998.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST


Executive Director